Association of Military Banks of America

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Military Pre-Conference
AFCPE Conference
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About AMBA

The Association of Military Banks of America's membership is comprised of FDIC-insured national and state chartered banks operating banks or branch banks on military installations throughout the world, military banking facilities designated by the U.S. Treasury Department, and banks not located on military installations but serving military customers.

What Is AMBA?

- **“One and only” military banking trade association.**
- **Primary link between banking community and nation’s armed forces.**

AMBA's Mission

- **Represent interests of banking institutions serving the military.**
- **Liaison with DoD, DFAS, Military Services, Treasury, FDIC, OCC, OTS.**
- **Help commercial banking industry maintain regulatory compliance.**
- **Collaborate with banking associations (ABA, ICBA, CBA, Financial Services Roundtable).**

FDIC & AMBA Conference

Affordable, Responsible Loans for the Military:
Programs and Prototypes

Hosted by the FDIC, with the assistance of the
Association of Military Banks of America (AMBA)
(December 6, 2006 ▪ Arlington, Virginia)

- **Problem of predatory loans and the military, and how it affects military preparedness and morale;**
- **How the military banks are addressing the real, critical needs of service personnel and their families; and**
- **Programs offered by other financial institutions as alternatives to high-cost cre**

FDIC & AMBA Conference

Military Small-Dollar Loan Template

- Developed by bankers at FDIC Conference.
- Suitable for bank and its military customers.
- Better alternative than detrimental loan products offered by high-cost payday lenders and others.
- Affordable, small-dollar loan products coupled with a savings component favored.

http://www.fdic.gov/news/conferences/militaryloans/agenda.html

Payday Lending Law

Talent Amendment

- **AMBA worked with DoD, Federal Regulators and banking trade associations (ABA, ICBA, CBA and Financial Services Roundtable).**
- **Strongly committed to drafting a DoD regulation protecting service members and their dependents.**
- **Wanted service members to continue to have access to cash advances, automatic repayments, and other services that characterize good customer service.**

DoD Final Rule

- 32 CFR Part 232, "Limitations on Terms of Consumer Credit Extended to Service members and Dependents" (August 31, 2007)

  -- Effective October 1, 2007.

  -- Targets payday loans, vehicle title loans and refund anticipation loans (covered loans).

  -- Achieved appropriate balance that protects service members while minimizing unintended adverse consequences.

DoD Final Rule

- **Alternatives to high cost, predatory payday loans.**

  -- DoD prefers that service members and their families seek help through Military Aid Societies and military banks and defense credit unions.

  -- AMBA banks showcased alternative small loan products and FDIC issued guidelines to FDIC-supervised banks to encourage them to offer affordable small-dollar loan products.

  -- AMBA and American Bankers Association Nationwide Telephone Briefing (Sept. 26, 2007), "Serving Your Military Customers: Complying with the New DoD Consumer Regulation… and More."

DoD Final Rule

DoD Report to Congress on Final Rule

-- "Report on Implementation of Limitations on Terms of Consumer Credit Extended to Service Members and Dependents", July 22, 2008

-- Implementation and compliance with the DoD regulation have been effective in curbing payday and vehicle title loans.

-- Availability of affordable small-dollar loans has increased.

-- DoD to work with Federal and state regulators to protect service members and their families.

-- DoD has established a balanced approach.

-- Financial Readiness Campaign to continue.

-- DoD does not see a need at this time for significa change in current statutes and regulations.

FDIC Small-Dollar Loan Pilot Program

- **FDIC Selected 31 banks on February 5, 2008 to participate in two-year Small-Dollar Loan Pilot**

-- Show how banks can profitably offer affordable small-dollar loans as an alternative to high-cost financial products such as payday loans and fee-based overdraft protection.

-- Goal is to encourage participating institutions to experiment with providing safe, sound, affordable and profitable small-dollar loans.

-- Armed Forces Bank (AMBA member) selected to participate and was cited in FDIC preliminary report for its small-dollar loan program that benefits military customers.

Global Financial Crisis

- The Causes
- The Consequences
- The Recession
- The Fixes

Impact on Military Banking

- **No panic on "Main Street".**

  -- Community banks sound.

- **FDIC-insured military banks avoided subprime lending and concentrated on traditional mortgages.**

  -- Relationship of mutual interest between lender and borrower (members of sa community).

Meeting the Needs of Military Borrowers

- **Workout loan example**

  -- "Work out" of debt through structured repayment program.

- **Recognized by FDIC as an example for other banks to follow.**

  -- Affordable small-dollar loan as an alternative to high cost, short term predatory loans.

Meeting the Needs of Military Borrowers

- **Open an account at the bank and maintain direct deposit relationship.**

  -- Loan payments debited from borrower's account.

  -- Take up to 24 months to repay.

  -- Loan amounts generally $250 to $2,000, fixed 18 % APR, no fees.

  -- Savings component – will lend an additional $250 that is deposited into a certificate of deposit for one year.

Benefits of the Workout Loan

- Alternative to payday loan.
- New start, helps borrower regain financial integrity and rebuild credit status.
- Loan decisions not based on a credit report but paid loans reported to credit bureaus.
- Payments fit borrower's budget.
- Loan is unsecured – no collateral required.
- When loan is paid off and CD matures, borrower receives $250 plus interest earned on the CD.

Financial Readiness Through Education

DoD Financial Readiness Challenge

-- Commanders request events to raise awareness of financial resources for Service members and families.

-- Installation Financial Readiness Challenge Roadshow Events

--- "… installation banks and credit unions can be key organizers to meet installation need

Financial Readiness Through Education

- **DoD Instruction 1342.27, November 12, 2004, "Personal Financial Management for Service Members"**

  -- Para E 3.1.6, "Preference should be extended to on-installation financial institutions to conduct financial education, training and counseling as an integral part of financial service offerings, along with other on-installation personnel designated by the counselor to perform this function."

Financial Readiness Through Education

- **DoD Financial Management Regulation 7000.14 R, November 2008, Volume 5, Chapter 34, Para 340409**

-- "Officials of on-base financial institutions shall be invited to take part in seminars to educate personnel on personal financial management and financial services. Financial institutions shall be encouraged to provide financial education and counseling services as an integral part of their financial service offerings.

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